



# The Netherlands



## Did you know...?

**Geography** The Netherlands is the most densely populated state in Europe. About 20% of its geographic area is below sea level.

**History** In the era referred to as the Dutch Golden Age, colonies and trading posts were established all over the globe. The Dutch East India Company was the world's largest commercial enterprise in the 17th century.

**Tulip mania** In late 1636 and early 1637, a mania for tulip bulbs swept through the Netherlands. Before the market crashed, a single bulb fetched the equivalent of 10 years' salary for the average Dutch worker.

**Culture** Famous Dutch painters include Pieter Bruegel, Rembrandt van Rijn, Johannes Vermeer and Vincent van Gogh.

**Fun Fact** In the Netherlands, TV shows and movies for adults are subtitled, helping with foreign language acquisition. Only programs for children are dubbed into the Dutch language.

## An overview of the Dutch economy

The global financial and economic crisis had a deep impact on the Dutch economy due to its trade and financial linkages.

The Netherlands was one of the founding member states of the European Union. The Netherlands adopted the euro, on January 1<sup>st</sup>, 1999. Euro notes and coins were introduced on January 1<sup>st</sup>, 2002, replacing the Dutch Guilder.

The Netherlands is an export-oriented economy and is noted for its stable industrial relations, low unemployment rate, and a sizable current account surplus. In 2007, Dutch GDP grew by 3.5%. Exports benefited greatly from increased demand in the euro area and improved price competitiveness. Dutch economic competitiveness has been helped by improvements in the macroeconomic and business environment, along with technological innovation. Private consumption increased as a result of higher real wages and employment gains.

As one of the most open economies in Europe, the Netherlands is particularly vulnerable to developments in the global economy. As such, it could not escape unscathed the global crisis that began in 2008 unscathed. Economic activity experienced a severe contraction of 4% in 2009. The Dutch government's public finances deteriorated sharply, from a surplus in 2008 to a deficit of 5.4% in 2010. However, the deficit is expected to decrease to 3.7% in 2011 and 2.3% in 2012. Despite the severe economic crisis, the unemployment rate increased to only 4.5% in 2010 and

remains one of the lowest in the EU with expectations of decreases in unemployment for 2011 and 2012. This can partly be explained by short-work programs similar to the German "Kurzarbeit", which provided subsidies to firms that retain surplus workers with shorter working hours. The rebound in economic growth the second half of 2009 was mainly a result of improved global demand. The subsequent breakdown of the euro area and global economic growth has caused a slowdown in the Netherlands as well.

According to the International Monetary Fund, long-term fiscal sustainability is one of the key policy priorities. The Netherlands faces considerable challenges with regard to demographics, as the population share of 20-64 year olds is decreasing at an accelerating pace. Progress is particularly urgent in labor taxation, social benefits, and employment protection to curtail work disincentives for females, disadvantaged youth and elderly.





## The Netherlands' Economy – Key Facts

- In 2010, the Netherlands had the second highest GDP per inhabitant among EU member states, just behind Luxembourg.
- The Netherlands, which derives more than two-thirds of GDP from merchandise and services trade, has a sizable trade surplus. The most important market for Dutch exports is the European Union, (approx. 3/4 of total exports) and in particular Germany (approx. 1/4 of total exports).
- The World Economic Forum (WEF) Global Competitiveness Report for 2011/2012 ranked the Netherlands 7<sup>th</sup> out of 142 countries in terms of competitiveness. The country's companies are among the most aggressive internationally in absorbing new technologies (ranked 5<sup>rd</sup> for their technological readiness). Business activity is buttressed by an excellent educational system. Access to financing is seen as the most problematic factor for doing business.
- The World Bank's Doing Business Report for 2011 ranked the Netherlands 31<sup>st</sup> out of 183 countries.
- According to the European Commission's Spring 2011 forecast, real GDP will grow by 1.9% for 2011. In 2012, GDP is estimated to grow by 1.7%. The government deficit is projected at 3.7% of GDP in 2011 and 2.3% of GDP in 2012. The gross debt ratio, which breached the 60% Maastricht Treaty reference value in 2009 is projected to further increase to 63.9% of GDP in 2012.

## References

- <http://delicious.com/eurochallenge/Netherlands>
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- <http://www.imf.org/external/country/NLD>
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**Exports** After a sharp decline in the 2009, the volume of goods exports increased by 10.9% in 2010 and is expected to increase by 6.4% in 2011.

**GDP** The GDP-per-capita gap vis-à-vis the best performing OECD countries can mostly be explained by relatively low labor utilization, arising from fewer hours worked and low participation of specific groups.

**Pension system** The benefits and supplements provided by the government for sickness and disability leave make early retirement an appealing option.

**Labor market** While unemployment rates are comparably low, high marginal income taxes combined with the phasing out of childcare subsidies have served to deter low-income workers, especially second-earners, from full participation in the economy.

**Agriculture** The agricultural sector employs 2% of the population, but generates large surpluses which are then used for exports or in the food-processing industry.

**Trade** The Port of Rotterdam is one of the most important transport centers in the world and the largest port in Europe.